

# Foreign Business Investments in the United States

## New Survey Shows Steady Growth

**T**HIS report summarizes the principal findings of the comprehensive survey of foreign-controlled U.S. enterprises now being completed by the Office of Business Economics. Final detailed results will be issued early next year in a supplement to the SURVEY OF CURRENT BUSINESS: *Foreign Business Investments in the United States*. With the results of this study, giving benchmark data for 1959, it is now possible to provide more reliable data on the extent of foreign direct investments in U.S. business enterprises, the industries concerned, the principal investing countries, and

the effect of these enterprises on our domestic economy and balance of international payments. Revisions of earlier estimates of their earnings, capital flows, income payments, and valuations have also been extended back to 1950 and carried forward to 1960.

Taken together with the companion report, *U.S. Business Investments in Foreign Countries*, issued in December 1960, a wide range of data is provided on the scope and effects of the extension of U.S. enterprise abroad and of the corresponding foreign investments within the United States.

count for nearly one third of the total—\$2.2 billion; their share was slightly higher in 1950, and they held about half the total early in this century. About 40 percent of the British investment is in the insurance industry, in which United Kingdom firms have long had an important position. Other sizable holdings are in varied manufacturing enterprises, a major petroleum company, and in trading establishments.

Other European investors had a combined direct investment of \$2.5 billion in the United States at the end of 1960, about 2½ times the 1950 amount. Netherlands companies hold a substantial part of this total, as indicated in table 2, with petroleum investments predominating. Other sizable Netherlands investments here are in manufacturing, particularly in artificial fibers, chemicals and electronics. Swiss interests are also substantial, accounting for a large part of the investments in the field of chemicals and pharmaceuticals, and also for a sizable share of the total for the insurance industry.

In the case of Belgium and France, investments are sizable but growth has been relatively slow. German and Italian interests here were taken over during the war, but by the end of 1960 Italian investments greatly exceeded earlier amounts, while German investments, though expanding, were still substantially under the 1941 amounts, especially in the manufacturing industries.

Canadian direct investments in the United States have ranked next in size to those of the United Kingdom since the early part of this century. They accounted for about one quarter of the total in 1941, and that proportion was maintained in 1960 when the total was \$1.9 billion. Canadian investments here have several special characteristics. The largest foreign direct investment in utilities in the United States arises from the extension into the United States of

## Background and Growth of Investments

**F**OREIGN investors have maintained substantial investments in the United States throughout our history, but the major emphasis has been on portfolio holdings of securities rather than direct investments. In 1929, as shown in the first chart, total foreign direct investments here amounted to about \$1.5 billion, while portfolio investments at that time were valued at over \$4 billion.

According to the new survey, foreign direct investments in the United States at the end of 1960 totaled \$6.9 billion, double the 1950 amount. Foreign portfolio holdings of U.S. corporate securities and other long-term assets in 1960 were valued at \$11.5 billion, so that direct investments had moved up since 1929 as a proportion of total long-term foreign investments here. For both types of investment, most of the gain in value, at least since World War II, represents reinvested earnings or rising market values, rather than inflows of foreign capital to the United States.

Between 1941 and the end of 1950 foreign direct investments here increased by an average of about \$100 million annually. Capital inflows from

most countries were prevented by exchange controls during the war and earlier postwar years, and investments valued at over \$150 million were vested from enemy owners by the Alien Property Custodian.

From 1950 through 1960 growth averaged \$350 million annually with only moderate deviations from year to year. Capital inflows averaged \$155 million annually in the period—in only 2 years, 1956 and 1959, did it exceed \$200 million. Reinvested earnings averaged \$170 million in the period, and there were also some upward revisions of assets. There does not yet appear to be any sustained increase in the rate of flow of foreign industrial capital to the United States, although there has been evidence of increased interest by European companies.

## Investment by Countries— British Holdings Largest

Investors from the United Kingdom have consistently been the largest holders of direct investments in the United States. Currently British investors ac-

the major Canadian railroads, and sizable investments are connected with the U.S. branches of Canadian life insurance companies and banks.

About \$300 million of the Canadian direct investments here are owned by Canadian companies controlled in the United States. This includes most of the petroleum investment. In addition, many of the Canadian companies with large holdings here, although not controlled in the United States, have substantial amounts of their stock owned in the United States.

Direct investments in the United States from other areas are comparatively small. For Latin America, the principal investment is in trading companies. Japanese direct investments in the United States now are considerably larger than ever before; manufacturing investments of some size have been established, while some old trading and financial firms have returned and new ones are being established.

### Investment by Industries— Manufacturing Leads

Many foreign manufacturing companies, principally European and a few Canadian firms with a leading position in their industries through patents, production techniques, or extensive experience, long ago established production facilities in the United States. A wide range of commodities has been involved, including many chemicals, artificial fibers, specialty food products and beverages, textiles, paper products, and many types of machinery. Frequently the original foreign investment has been merged into, or sold to a U.S. competitor. The contribution of foreign manufacturing enterprise to the U.S. economy has been mainly to widen the spectrum of products available, occasionally introducing products of considerable importance. Foreign-controlled enterprises have little weight, in the aggregate, in any major branch of U.S. manufacturing.

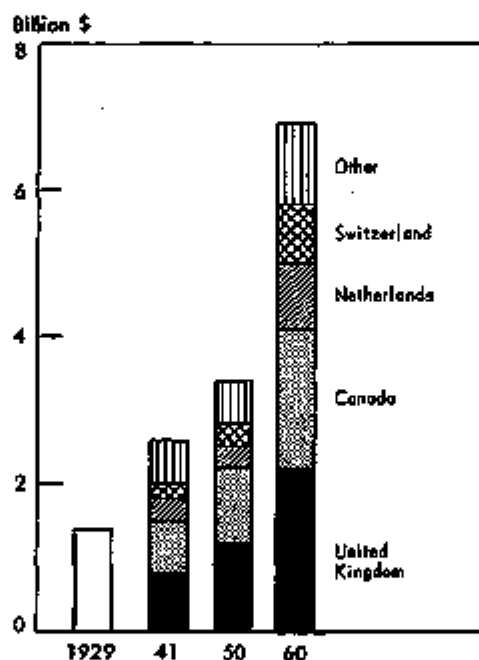
Over time, the commodity composition of the manufacturing investments has changed considerably. Food products and beverages are now the largest group (table 3) but ranked third in the 1930's, while textile products, which

were then by far the largest group, now account for under 10 percent of the total. Chemicals and related products have been a major field for investment for many years, while the relative importance of investments in pulp and paper production has increased.

Investments in finance and insurance have consistently made up a sizable part of foreign direct investments in the United States, accounting for about one quarter of the total since the 1930's.

#### FOREIGN DIRECT INVESTMENTS IN THE UNITED STATES

- Have Risen Substantially in Postwar Period
- Over Half Held by Canada and the United Kingdom



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Over half of the total represents the long-standing interest of British insurance companies and banks in the U.S. economy. Canadian and Swiss participations in this industry are also large.

Foreign petroleum investments in the United States consist mainly of the British-Dutch interest in a major integrated company, the extension of Canadian pipelines into the United States, and a few smaller distributing and producing companies. Mining investments by foreigners are valued at less than \$100 million, although earlier

in the history of the United States a sizable amount of foreign capital entered this industry. Investments in agriculture are now also quite small.

Investments in trading and distribution include some retail establishments but consist mainly of firms organized to handle wholesale distribution of foreign-made products in the United States.

### Contrast With U.S. Investments Abroad

There are profound differences both in size and effect between foreign direct investments in the United States and the same category of U.S. investments abroad. U.S. investments abroad are approximately five times as large, and have nearly tripled since 1950, compared to a doubling of foreign direct investments here. Investments in resource development and related processing facilities make up nearly one-half of U.S. direct investments abroad, but account for less than one-fifth of the foreign investment here. On the other hand, the foreign investment in U.S. financial and insurance enterprises greatly exceeds comparable U.S. investments abroad.

A comparatively small number of European countries, and Canada, account for nearly all foreign direct investments here, while U.S. companies have invested in a wide range of countries. More recently, however, the interchange of direct investments between the United States and the industrialized countries has become a greater proportion of the total.

Earnings of foreign direct investments in the United States, at \$385 million in 1960, were not much more than one-tenth of the amount earned by foreign subsidiaries and branches of U.S. companies. Moreover, while earnings abroad have doubled since 1950, lagging somewhat behind the growth of investments, earnings on foreign direct investments in the United States have increased only slightly. These differences in earnings in part reflect the varying industry composition of the investments, but also appear to be in line with the general profits experience of industry abroad as compared with U.S. industry.

### Balance-of-payments effects

The impact of foreign direct investments in the United States on our balance of payments is relatively minor. Payments of dividends, interest and branch profits have tended to rise moderately in the past decade, and on the average have exceeded capital inflows by about \$40 million annually. In addition, payments of fees and royalties are currently at a rate of about \$40 million a year.

Offsetting these outlays, there is some savings on U.S. imports to the extent foreign-owned plants here produce items which otherwise might be brought in from abroad. On the whole, however, the effects of these investments on our international transactions are insignificant compared to the results of the foreign operations of U.S. companies. Moreover, the latter typically also have a sizable impact on the domestic economies of the countries in which they are located.

### Structure of Investments

Total assets of the enterprises in the United States controlled from abroad were \$8.4 billion at the end of 1959, the year covered by the complete survey, after consolidating domestic subsidiaries, and exclusive of financial and insurance enterprises. Gross fixed assets were \$6.3 billion, reduced to \$3.4 billion when depreciation reserves are deducted. Thus net fixed assets were a little over 40 percent of total consolidated assets.

Of the net fixed assets, \$1.4 billion were employed in the petroleum industry and \$1.2 billion in manufacturing. These amounts represent roughly 6 percent of the net fixed assets of the domestic petroleum industry (integrated companies) and 2 percent of such assets employed in other manufacturing industries. The foreign-controlled companies had somewhat lower ratios of net fixed assets to total assets than all domestic corporations in these industries.

Current assets of \$4.4 billion were centered in the receivables and cash assets of the manufacturing and trading companies.

### Foreign and U.S. ownership

Foreign investors had an investment of nearly \$5 billion in these enterprises

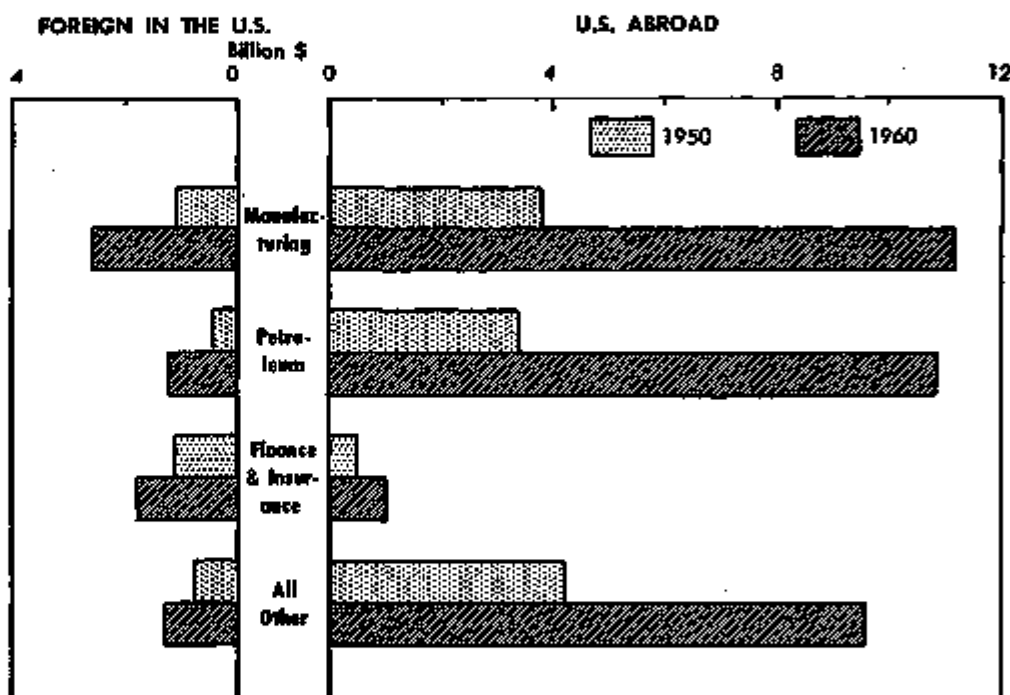
(finance and insurance excluded) at the end of 1959, and U.S. residents had provided \$3.4 billion of the capital employed. Total liabilities of the companies were \$4 billion, mainly short-term, and almost two-thirds of this was owed to U.S. residents. Of the nearly \$4½ billion equity investment in capital stock, surplus, and home office accounts (after consolidating subsidiaries), the foreign share was over 80 percent, however, and the U.S. equity ownership was mainly confined to

is in firms incorporated in the United States. Unincorporated branches here of foreign companies are significant only in the finance and insurance categories, where this form of organization is usually necessary because the full resources of the parent are to some extent involved.

In other industries, about 10 percent of the manufacturing investment is held in the branch form. This proportion is probably less than in the early postwar years, as certain tax advantages for

### COMPARISON OF DIRECT INVESTMENTS—

- FOREIGN INVESTMENTS Here About One-Fifth of U.S. INVESTMENTS Abroad
- Growth of Foreign Investments Here Less Than in U.S. Investments Abroad
- Heavy Concentration in Manufacturing and Petroleum



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minority interests in a few large petroleum and manufacturing enterprises.

This structure of ownership is quite similar to that for U.S. direct investments abroad, which obtained 40 percent of their invested funds in the countries where they were located. The foreign share was also mainly in the form of debt, with the proportion of equity ownership by minority stockholders abroad aggregating only about 20 percent of the total equity investment.

### Subsidiaries predominate

Over 80 percent of the value of foreign direct investments in the United States

this form have been eliminated. Largely because of tax advantages in the mining and petroleum industries, a larger proportion of U.S. direct investments abroad is organized as branches.

A very large part of the accumulated foreign investment in the United States is in subsidiaries and branches originally organized or acquired before 1941. Some 80 percent of the investment in manufacturing is in these old-established enterprises. From 1950 through 1959 a considerable number of new manufacturing enterprises were formed, accounting for nearly 20 percent of the 1959 investment total.

## Earnings and Output

**EARNINGS** of the foreign-controlled enterprises here have ranged generally between \$300 million and \$400 million a year in the past decade, with a tendency to rise in the last 2 years. This overall experience is not dissimilar from the behavior of all U.S. corporate profits (after tax), which showed no sustained trend in the period. In both cases, although the record of individual companies varied greatly, the overall result was a gradual decline in the ratio of profits to capital employed. As noted above, U.S. direct investments abroad had a generally better earnings result.

Earnings of manufacturing companies have shown the strongest gains in recent years, and have been greater in most years than those of any other major industry. However, aggregate earnings of the foreign investments in manufacturing in relation to the amounts invested appear to be somewhat lower than for all domestic manu-

facturing, at least in recent years. Within the aggregate individual companies have had extremely varied results.

Earnings of the petroleum enterprises have likewise shown little overall upward trend. Insurance company earnings have varied little from year to year, except for the 1956-58 period when underwriting results were very poor. Earnings of other financial enterprises, mainly banks, have risen moderately over the past decade, as increasing amounts have been loaned and invested in the United States through these firms.

### Income paid out

For the 1950-60 period as a whole, nearly 60 percent of all earnings of foreign direct investments in the United States were paid out as dividends or branch profits. The latter are for the most part not actually transferred abroad but reinvested here. Eliminating the branches, the proportion of corporate earnings distributed abroad has been roughly 50 percent.

There has been a moderate rise in income payments abroad in recent years, reaching a peak of \$247 million in 1960 when dividend payments by petroleum companies rose sharply.

A major share of the income payments is accounted for by the finance and insurance enterprises, mainly in the form of branch profits and interest payments. Dividend distributions by petroleum companies have tended to be less than one-third of earnings. Manufacturing investments have gradually increased the amount of dividends paid abroad, although over the past decade distributions have averaged only about one-third of earnings.

### Retained earnings finance growth

As noted earlier, the high proportion of earnings retained in the United States has been the most important factor in the postwar growth of foreign direct investments here. Of the \$3.5 billion added to the value of these investments between 1950 and 1960, \$1.7 billion was undistributed profits of

corporations, and at least \$0.3 billion of branch profits was retained in the United States.

Retained earnings accounted for nearly half of the \$1.5 billion added to manufacturing investments since 1950, and reinvested earnings were equal to seven-eighths of the entire increase of \$800 million in the petroleum industry in the period.

### Sales and expenses

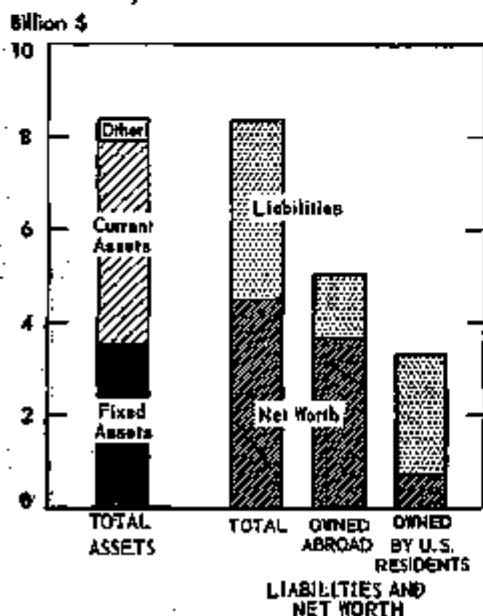
Total sales and revenues reported by the foreign-controlled companies in 1959 were \$8.1 billion (excluding finance, insurance, and distribution). Income from other sources was minor.

Sales of the petroleum companies were \$2.4 billion, very largely by one large company with a sizable participation in the domestic industry.

Manufacturing companies had sales of \$5.1 billion, of which the largest components were \$2.3 billion in food products and beverages and \$0.9 billion in chemicals and related products. In the aggregate, these amounts are quite small proportions of total domestic corporate sales, although in a few specific products, such as alcoholic

### ASSETS AND OWNERSHIP OF FOREIGN DIRECT INVESTMENTS IN THE UNITED STATES,\* 1959

- Current Assets Make Up More Than Half of Total
- U.S. Residents Own Substantial Minority Share



\* Not including finance and insurance

### EARNINGS OF FOREIGN DIRECT

#### INVESTMENTS in the United States

- No Marked Trend in Decade
- Major Industries as Well as Total Held Steady

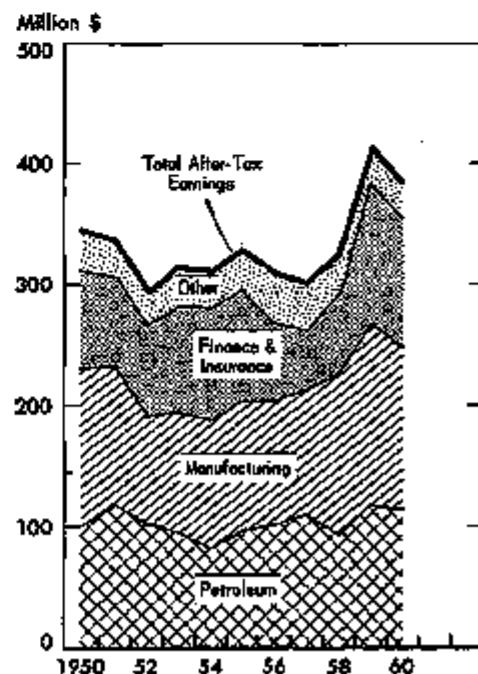


Table 1.—Value of Foreign Direct Investments in the United States, by Area and Industry, for Selected Years

(Millions of dollars)

Areas and Industries	1950	1955	1959	1960
<b>All areas, total</b> .....	3,391	5,076	4,464	5,070
Petroleum.....	405	853	1,184	1,238
Manufacturing.....	1,138	1,739	2,471	2,811
Finance and insurance.....	1,005	1,499	1,734	1,810
Other.....	783	985	1,275	1,211
<b>Canada</b> .....	1,028	1,542	1,396	1,554
Petroleum.....	58	108	207	208
Manufacturing.....	468	711	907	1,032
Finance and insurance.....	153	179	227	246
Other.....	359	466	552	563
<b>Europe, total</b> .....	2,223	3,369	4,452	4,787
Petroleum.....	349	637	972	1,028
Manufacturing.....	989	1,940	2,501	2,811
Finance and insurance.....	870	1,272	1,451	1,504
Other.....	345	490	528	504
<b>United Kingdom</b> .....	1,163	1,749	2,167	2,248
Petroleum.....	95	204	315	329
Manufacturing.....	337	510	698	722
Finance and insurance.....	584	836	927	958
Other.....	147	199	225	234
<b>Other Europe, total</b> .....	1,059	1,620	2,285	2,459
Petroleum.....	254	433	656	689
Manufacturing.....	332	639	801	880
Finance and insurance.....	316	436	523	551
Other.....	157	201	204	230
<b>Other areas, total</b> .....	134	185	280	269
Petroleum.....	1	8	4	7
Manufacturing.....	42	43	57	60
Finance and insurance.....	89	109	131	134
Other.....	1	1	1	1

NOTE.—Detail may not add to totals because of rounding.

Table 2.—Value of Foreign Direct Investments in the United States, by Industry and Country, 1959

(Millions of dollars)

Areas	Total	Petroleum	Manufacturing	Transportation and utilities	Trade	Finance and insurance	Other
<b>All areas, total</b> .....	6,664	1,184	3,471	442	514	1,734	139
<b>Canada</b> .....	1,895	207	987	354	143	227	59
<b>Europe, total</b> .....	4,452	972	1,581	32	365	1,451	131
United Kingdom.....	2,167	315	698	(*)	122	927	103
Belgium.....	253	35	6	(*)	27	(**)	80
France.....	161	(**)	40	(**)	43	49	20
Germany.....	84	26	35	(*)	35	30	4
Italy.....	59	17	30	(*)	10	10	1
Netherlands.....	302	187	2	2	35	42	6
Sweden.....	154	104	10	20	(**)	20	20
Switzerland.....	776	595	35	35	390	5	5
Other.....	67	(**)	13	18	(**)	27	27
<b>Latin American Republics, total</b> .....	128	4	10	12	80	19	3
<b>Other areas, total</b> .....	127	4	53	2	28	33	6
Japan.....	80	1	(**)	(**)	12	16	51
Other.....	46	3	(**)	(**)	12	25	11

\*Less than \$500,000.

\*\*Included in other industries.

NOTE.—Detail may not add to totals because of rounding.

Table 3.—Value of Foreign Direct Investments in Manufacturing in the United States, by Major Product Groups and Areas, 1959

(Millions of dollars)

Areas	Total	Food products and beverages	Chemicals and allied products	Primary and fabricated metals	Machinery, except electrical	Electrical machinery	Other manufacturing
<b>All areas, total</b> .....	2,471	831	465	125	275	83	593
<b>Canada</b> .....	907	502	15	98	103	(*)	190
<b>Europe, total</b> .....	1,501	427	447	39	111	83	304
United Kingdom.....	698	250	101	11	27	18	253
Switzerland.....	306	111	233	(**)	(**)	18	16
Other.....	497	87	94	38	83	68	114
<b>Other areas, total</b> .....	63	1	3	1	1	1	58

\*Less than \$500,000.

\*\*Included in other Europe.

NOTE.—Detail may not add to totals because of rounding.

Table 4.—Composite Balance Sheet of Foreign Direct Investments in the United States, 1959.

(Millions of dollars)

Items	Total	Canada	Europe	Other areas
<b>Assets</b> .....				
Current.....	4,420	1,220	2,903	300
Investment in U.S. affiliates.....	1,241	33	1,183	13
Investment in foreign affiliates.....	118	6	109	3
Fixed assets.....	6,268	1,073	4,451	144
Less: related reserves.....	2,820	510	2,286	24
Other assets.....	377	140	181	56
<b>Total</b> .....	8,665	2,576	6,453	570
<b>Liabilities</b> .....				
Short-term.....	2,215	900	1,356	357
Long-term.....	1,709	754	880	96
<b>Total</b> .....	4,024	1,654	2,217	451
<b>Net Worth</b> .....				
Capital stock.....	1,770	405	1,293	82
Surplus and surplus reserves.....	3,468	790	2,623	37
Home office accounts (branches).....	300	17	280	1
<b>Total</b> .....	5,538	1,222	4,236	118

1. Excludes finance and insurance.

NOTE.—The composite balance sheet includes both the foreign and U.S. share of investments; total assets, liabilities and net worth are overstated to the extent of the investments in U.S. affiliates, which have not been consolidated.

NOTE.—Detail may not add to totals because of rounding.

Table 5.—Foreign Direct Investments in the United States, Capital Inflows, Earnings, Income Payments, and Undistributed Profits, by Area and Industry, 1950-1960

(Millions of dollars)

	1950-59 average	1957	1958	1959	1960
<b>Capital flow to the United States (outflow (-))</b> .....					
<b>Total</b> .....	144	165	97	285	140
Petroleum.....	13	14	-13	-76	-15
Manufacturing.....	64	68	70	214	143
Finance and insurance.....	35	26	19	20	55
Other.....	37	28	21	77	22
<b>Canada</b> .....	78	75	31	19	14
Petroleum.....	10	-2	(*)	-19	-14
Manufacturing.....	24	40	22	174	143
Finance and insurance.....	10	18	11	6	30
Other.....	20	79	-1	26	4
<b>Europe</b> .....	72	62	40	174	113
Petroleum.....	2	16	-13	(*)	-3
Manufacturing.....	39	40	34	115	67
Finance and insurance.....	25	3	8	21	53
Other.....	3	11	10	88	16
<b>Other Areas</b> .....	3	11	21	42	14
Petroleum.....	(*)	1	1	1	3
Manufacturing.....	(*)	1	1	1	3
Finance and insurance.....	1	1	1	1	3
Other.....	1	1	1	1	3
<b>Earnings</b> .....					
<b>Total</b> .....	328	300	328	413	385
Petroleum.....	100	111	94	173	114
Manufacturing.....	107	103	132	151	136
Finance and insurance.....	81	51	67	114	106
Other.....	31	35	33	30	29
<b>Canada</b> .....	84	71	97	102	58
Petroleum.....	0	14	14	12	10
Manufacturing.....	49	25	48	58	47
Finance and insurance.....	10	29	30	33	36
Other.....	10	3	1	-5	-4
<b>Europe</b> .....	214	225	224	309	294
Petroleum.....	94	97	90	169	104
Manufacturing.....	58	77	87	98	68
Finance and insurance.....	22	21	26	76	66
Other.....	21	30	31	34	32
<b>Other Areas</b> .....	3	8	5	4	1
Manufacturing.....	1	1	2	2	1
Finance and insurance.....	1	1	2	2	1
Other.....	1	2	1	-1	1
<b>Income payments</b> .....					
<b>Total</b> .....	181	187	213	279	287
Petroleum.....	34	22	27	20	40
Manufacturing.....	47	59	64	66	66
Finance and insurance.....	72	73	64	110	112
Other.....	28	33	28	24	26
<b>Canada</b> .....	89	83	103	84	88
Petroleum.....	3	4	14	23	23
Manufacturing.....	25	31	34	47	52
Finance and insurance.....	21	36	32	47	52
Other.....	11	11	11	12	11
<b>Europe</b> .....	118	99	145	121	154
Petroleum.....	31	16	13	17	48
Manufacturing.....	21	28	40	43	43
Finance and insurance.....	40	31	35	57	56
Other.....	16	22	17	13	13
<b>Other Areas</b> .....	3	6	6	6	6
Finance and insurance.....	3	6	6	6	6
Other.....	(*)	1	1	(*)	(*)
<b>Undistributed profits</b> .....					
<b>Total</b> .....	167	157	155	238	173
Petroleum.....	68	92	70	100	90
Manufacturing.....	70	56	78	80	72
Finance and insurance.....	16	-2	-4	25	19
Other.....	14	13	14	16	14
<b>Canada</b> .....	43	17	28	46	34
Petroleum.....	5	13	3	12	10
Manufacturing.....	30	1	26	34	27
Finance and insurance.....	1	3	3	3	3
Other.....	6	(*)	-1	7	-4
<b>Europe</b> .....	132	134	124	185	136
Petroleum.....	69	19	60	87	58
Manufacturing.....	38	53	50	53	44
Finance and insurance.....	15	-6	-7	23	15
Other.....	7	10	15	22	10
<b>Other Areas</b> .....	3	4	4	3	4
Manufacturing.....	1	1	2	2	1
Finance and insurance.....	(*)	1	1	1	3
Other.....	1	2	1	1	1

\*Less than \$500,000.

1. Foreign share only.

2. Dividends, interest, and branch profits paid abroad after withholding and other taxes. Detail may not add to totals because of rounding.

beverages, the share of these companies may be of some importance.

About three-quarters of the sales proceeds were used in 1959 to cover the cost of goods sold and depreciation. Income taxes paid here amounted to over \$200 million, and a comparable amount was paid for other taxes. Other expenses, and unallocated costs,

amounted to \$1.1 billion. Net earnings on these sales were about \$320 million.

Sales and distribution enterprises controlled abroad reported sales of \$4.3 billion, with costs of goods sold amounting to \$4 billion and income taxes to \$34 million. Net income of these trading companies in 1959 was \$36 million.

## Capital Flow to the United States

Inflows of foreign capital for direct investment in the United States have tended to rise somewhat over the past decade, although the movement from year to year has been irregular.

About 55 percent of the capital inflow in the past decade came from Europe, and over 80 percent of the 1959-60 inflow. Forty percent of the inflow since 1950 has come from Canada, but with a considerable falling off in 1959-60.

### Inflow largest for manufacturing

Half of the capital inflow for direct investments in the United States since 1950 has been for manufacturing enterprises. Inflows for this industry registered highs of over \$100 million annually in 1955 and 1956, and again in 1959.

In the earlier 2 years most of the incoming funds were to old-established Canadian and United Kingdom investments. In 1959 a record inflow of \$145 million for manufacturing occurred as inflows of this type were combined with large inflows for newer investments in several branches of manufacturing, including larger inflows from continental Europe.

Petroleum investments in the United States by foreign companies have involved very little capital inflow since 1950. The largest flows were from Canada in the 1952-54 period when connecting pipelines were being financed. These investments are being amortized and there have been net outflows since 1958.

Sizable capital inflows for the insurance industry reflect primarily the retention here of branch profits. Variability in the capital flow results mainly from the sharp swings in earnings in some years.

For the "other" industries taken together there is no evident trend in capital inflows, although peaks of about \$75 million were registered in 1956 and again in 1959. In the former year there were large Canadian investments in retail trade, while much of the increase in the inflow in 1959 was connected with wholesale distribution of automobiles and other products.

Table 6.—Sales, Expenses and Net Income of Foreign Direct Investments in the United States, by Area and Industry,<sup>1</sup> 1959

(Millions of dollars)

Areas and Industries	Income				Expenses						Net income <sup>2</sup>
	Net sales and revenue	Dividends and interest <sup>3</sup>	Other	Total income	Cost of goods	Depreciation and depletion	Income taxes	Other U.S. taxes	Other	Total expenses	
All countries, total	8,062	75	38	8,175	3,828	340	222	202	1,128	5,700	245
Mining and smelting	122	1	(*)	123	81	9	5	1	18	105	18
Petroleum	2,266	59	12	2,337	1,584	234	40	69	313	2,236	101
Manufacturing	5,131	13	24	5,168	3,891	88	186	118	739	5,094	163
Transportation and utilities	385	1	18	374	294	15	5	13	54	381	-7
Other	398	1	3	402	76	8	3	1	15	103	299
Canada	2,512	5	11	2,528	2,016	56	66	71	255	2,408	112
Mining and smelting	53	1	(*)	54	41	4	3	1	4	53	1
Petroleum	160	(*)	3	163	97	18	9	5	21	140	23
Manufacturing	2,068	4	3	2,075	1,577	35	34	53	303	2,011	64
Transportation and utilities	293	(*)	2	294	195	9	(*)	12	25	240	54
Other	14	(*)	1	16	6	1	1	(*)	4	13	3
Europe	5,453	68	45	5,566	3,865	291	165	127	868	5,249	317
Mining and smelting	68	(*)	(*)	70	40	6	2	—	14	60	10
Petroleum	2,196	38	11	2,245	1,457	305	32	64	291	2,089	156
Manufacturing	3,020	9	17	3,046	2,179	60	112	61	533	2,947	99
Transportation and utilities	118	(*)	15	133	82	5	6	1	21	114	19
Other	59	(*)	3	62	27	3	2	1	9	41	21
Other areas <sup>4</sup>	68	(*)	2	70	46	4	2	3	14	55	15
Manufacturing	47	(*)	(*)	49	36	2	1	3	5	46	3
Transportation and utilities	15	(*)	(*)	16	7	(*)	(*)	(*)	9	16	0
Other	6	(*)	1	7	3	(*)	(*)	(*)	2	7	0

1. Excludes trade, finance and insurance.

2. Includes \$13.0 million of dividends paid by domestic subsidiaries to U.S. parent organizations, representing a duplication of income.

3. Less than \$500,000.

NOTE.—Detail may not add to totals because of rounding.

## National Income and Profits

(Continued from p. 10)

of the business cycle. As production and sales rise in a typical recovery period, higher-than-average gains in productivity are achieved in key industries as productive capacity and personnel are more fully utilized. Fixed costs can be spread over a larger volume of production. In addition, the fruits of technological developments, and

cost-cutting programs that are instituted when demand is slack, materialize in periods of expanding production and sales. The data on profit margins in the recent period are consistent with such expectations. In manufacturing, margins appear to have risen substantially in the second quarter, principally in the durable goods area.